

*80th*  
ANNUAL REPORT

1937



*The Borden Company*

ESTABLISHED 1857

AND ALL SUBSIDIARY COMPANIES

BOARDS

9334.161  
0.13645m

## BOARD OF DIRECTORS

ALBERT G. MILBANK  
*Chairman of the Board*  
New York

HOWARD BAYNE  
New York

MADISON H. LEWIS  
*President, Pioneer*  
*Ice Cream Division*  
New York

THOMAS I. PARKINSON  
*President, The Equitable*  
*Life Assurance Society*  
*of the United States*  
New York

L. MANUEL HENDLER  
*South Eastern Ice Cream Division*  
Baltimore

\*JOHN W. MCCONNELL  
*President, St. Lawrence*  
*Sugar Refineries, Ltd.*  
Montreal

BEVERLEY R. ROBINSON  
*Milbank, Tweed & Hope*  
New York

ROBCLIFF V. JONES  
*Vice-President*  
New York

THEODORE G. MONTAGUE  
*President*  
New York

STANLEY M. ROSS  
*Mid-West Division*  
Columbus, Ohio

LESTER LE FEBER  
*President, Gridley Dairy Company*  
Milwaukee

MARCUS M. MUNSILL  
New York

GEORGE M. WAUGH, JR.  
*Executive Vice-President*  
New York

## OFFICERS

ALBERT G. MILBANK  
*Chairman*

THEODORE G. MONTAGUE  
*President*

GEORGE M. WAUGH, JR.  
*Executive Vice-President*

CLYDE E. BEARDSLEE, *Vice-President*

EVERETT L. NOETZEL, *Treasurer*

HAROLD W. COMFORT, *Vice-President*

WALTER H. REBMAN, *Secretary*

PATRICK D. FOX, *Vice-President*

GEORGE BITTNER, *Assistant Treasurer*

ROBCLIFF V. JONES, *Vice-President*

HAROLD K. KRAMER, *Assistant Treasurer*

RALPH D. WARD, *Vice-President*

THEODORE D. WAIBEL, *Assistant Secretary*

### EXECUTIVE OFFICES

350 Madison Avenue, New York City

### REGISTERED OFFICE

15 Exchange Place, Jersey City, N. J.

### TRANSFER AND DIVIDEND DISBURSING AGENT

THE CHASE NATIONAL BANK OF THE  
CITY OF NEW YORK  
11 Broad Street, New York City

### REGISTRAR

BANKERS TRUST COMPANY  
16 Wall Street, New York City

### COUNSEL

MILBANK, TWEED & HOPE  
15 Broad Street, New York City

### AUDITORS

HASKINS & SELLS  
22 East 40th Street, New York City

\*Having recently become Publisher of The Montreal Daily Star, Mr. John W. McConnell regretfully tendered his resignation as a Director, which was accepted on February 23, 1938.



---

1874 ——— ARTHUR WILSON MILBURN ——— 1937

---

For forty-three years he was associated with the Borden organization. As its chief executive for twenty years, he exercised a controlling influence on the conduct and development of the Company's business. In the pursuit of that work he displayed unfailing courage in treating with the innumerable problems of the industry, and it was to his vision and ability that the growth of The Borden Company is largely due.



# THE BORDEN COMPANY

350 MADISON AVENUE

NEW YORK



## *To the Stockholders:*

There is submitted herewith the annual report of The Borden Company and all subsidiary companies for the year ended December 31, 1937.

### NET INCOME

Net Income for 1937 was \$6,290,651, equivalent to 2.6% on sales, and \$1.43 per share as contrasted with \$7,921,489 or 3.3% on sales and \$1.80 per share obtained in 1936. Dividends aggregating \$1.60 per share were paid in 1937, the same as paid in 1936.

### SALES

Sales amounted to \$237,561,671 for 1937 compared with \$238,844,537 for 1936. The 1937 figures reflect the very substantial decrease in sales of the Produce Division, which decrease, as explained later, was the result of planned curtailment and changed policies. After due allowance is made for the effect of the foregoing, the sales tonnage increase for the year was 3%, and the sales value increased 3.7%.

### TAXES

Taxes of every nature for 1937, including Social Security Taxes of \$1,510,004, amounted to \$5,705,516 or \$1.30 per share and represent an increase of \$500,058 or

12¢ per share over 1936. The Federal Government is contending that the Company should be assessed additional income taxes for certain prior years because of having charged excessive depreciation. The Company is of the opinion, based on competent independent advice, that when the matter of depreciation is scientifically adjudicated, it can generally substantiate the amounts heretofore claimed on its tax returns, and no material liability exists which is not covered by existing reserves. The growing burden of taxes is exemplified in the following statistics:

	Total	Per Share	% of Sales
1934....	\$3,714,186	\$ .84	1.72
1935....	4,282,329	.97	1.86
1936....	5,205,458	1.18	2.18
1937....	5,705,516	1.30	2.40

Total taxes paid in 1937 amounted to \$197 per employee, and \$122 for every stockholder.

### NET WORKING CAPITAL

This item at the close of the year stood at \$39,029,742 compared with \$42,183,233 at December 31, 1936.

The ratio of Current Assets to Current Liabilities on December 31, 1937 was \$3.79 to \$1.00 which compares with the ratio of \$3.96 to \$1.00 on December 31, 1936.



Cash on hand at the end of the year was \$15,545,029, which was in excess of the total of all current liabilities on that date amounting to \$14,013,798. Cash on December 31, 1936 was \$17,586,009.

Frozen and restricted deposit funds, which funds were further reduced during the year, are not included in cash. Reserve provision is made for the estimated loss involved and the net balance is carried under Miscellaneous Assets.

Inventories of \$17,667,355 compare with \$19,963,467 of last year. As usual, all inventories are valued at cost or market, whichever is lower. Despite a substantial recession in general commodity prices experienced during the last quarter, inventory write-off amounted to only \$257,360. The proper conduct of the Company's business makes it necessary, at times, to make forward commitments covering the purchase or sale of materials and finished products. However, such commitments as the Company had outstanding at the year end for delivery in 1938 were, in the aggregate based on prices prevailing December 31, favorable to the Company.

Marketable Securities, a substantial amount of which were United States Government securities, and including material holdings of Canadian Government securities, taken at their cost, amounted to \$5,886,952 and at their market value to \$5,776,198 at December 31, 1937. These totals compare with a cost of \$5,926,916 and a market value of \$6,308,765 on December 31, 1936 for the securities then owned.

Receivables at the end of 1937 amounted to \$14,054,957 and are equivalent to approximately 22 days average sales. Collec-

tions showed further improvement during the major portion of the year, but for the last quarter were not quite normal. However, all credit losses have been charged off and adequate reserves against future losses have been created by charges to operations, leaving Receivables in sound condition.

#### PROPERTIES

The Company's plants and properties have been fully maintained and large expenditures were made during the past year for improvements and cost-reducing facilities. During the year the Company completed its Riverside plant in New York City. This fluid milk plant is equipped with the most modern machinery and is one of the largest in the world. Its few months of operation has indicated the wisdom of its construction.

The Budget of Capital Expenditures for 1938, while considerably less in total amount than in 1937, provides fully for replacements as well as for needed improvements and business expansion.

Commencing January 1, 1937, the Company has adopted a policy of charging values of physical property write-downs to Earned Surplus or appropriate reserves, instead of to Capital Surplus. Accordingly, there was charged to Earned Surplus in 1937 the sum of \$702,372, representing the value of property and equipment which became unessential during 1937 under conditions not incident to the normal conduct of the business, less the salvage realized on disposals made in that year, and after deducting reserves for depreciation. A material portion of this write-off resulted from the abandonment of three branches and two pasteurizing plants, these opera-



tions having been consolidated into the new Riverside plant in New York City.

In 1935 and 1936, values applicable to unserviceable properties and excess values attaching to operating properties were charged against Capital Surplus as described in the annual reports to stockholders for those years. To the extent these properties were sold or adapted to some operating use during 1937 a salvage value of \$448,063 was realized which was credited to Capital Surplus in that year. Salvage values, as and when realized, from the further sale or other disposition of unserviceable properties will be credited to the same accounts that were charged when their book values were previously written off.

#### FLUID MILK DIVISION

The Company was unable to secure a satisfactory return on its substantial investment in the distribution of fluid milk and allied products. The disastrous price conditions existing in New York City during the greater part of the year were a major factor affecting these results. On fluid milk itself, the Company was unable to secure any profit from its total sales in all markets of 780 million quarts of fluid milk as such in 1937, as contrasted with the modest profit of one-ninth ( $1/9$ ) of a cent per quart in 1936 on sales of 781 million quarts.

Wage increases in this Division effective during 1937, computed at their annual cost, and applied to the number of employees on the payrolls at the time such increases were made, amounted to more than \$1,600,000. A very large part of this additional labor cost was absorbed in 1937, as well as increased taxes of \$300,000 in this Division. These increased costs, which were beyond the Management's con-

trol, much of which could not be recovered through advanced selling prices, contributed largely to the disappointing results experienced in this Division.

The Company is often referred to as a middleman with an implication that its functions are unimportant and its profits excessive. This mistaken viewpoint results from failure to recognize the actual cost of performing all the services necessary to link producers and consumers.

Substantial progress has been made in recent years toward improved methods of processing and transporting milk with such developments as tank car and tank truck shipments from country to city. There is unceasing search for both more efficient methods of handling and for a lowered cost of distribution. However, inflexible costs such as taxes, transportation and, to a large degree, wages of labor, constitute a great part of the total cost of distribution. Anything like a drastic cut in the cost of milk delivery, with its attendant wholesome effect upon consumer prices and consumption, must await the finding by science of new and presently unknown methods of preparing, packaging and delivering a highly perishable product like fluid milk. Search for such methods is continuous.

Stockholders are undoubtedly familiar with the existence for several years of Milk Control Boards or other Governmental price-fixing agencies, both in some states of the United States and in several provinces of Canada. During the past year unsound milk control policies have become more and more burdensome in some of these markets. In some instances, control agencies have attempted to satisfy farmer demands by increasing the buying price and at the same time have tried to avoid



consumer displeasure by opposing a resale price advance commensurate with such increased cost of milk and of distribution. Such unfortunate attempts can only come from lack of knowledge concerning the so-called "distributor's spread." Labor, taxes and transportation constitute by far the greatest part of the margin between the price received by the farmer and the price paid by the consumer. After these expenses are paid, very little remains to cover building and equipment repairs and depreciation, feed, coal, oil, gasoline, bottles, cans, cases and other costs. Since such an overwhelming proportion of the cost is beyond the control of the distributors, any significant increase in price to producers without an advance in the resale price would only be possible if it were taken out of labor costs by substantially reducing wages. It is highly doubtful if any control agency would go on record as favoring that course, even if it were practicable. However, recognition of this deplorable condition by control agencies, producer associations and consumers seems to be growing and some alleviation has been experienced in recent weeks.

#### ICE CREAM DIVISION

Substantial improvement was made in the Ice Cream Division, both volume and earnings exceeding 1936. Sales progress was particularly gratifying in the early months of 1937, and while still satisfactory, has leveled off somewhat in recent months. The Company is pursuing an aggressive policy with regard to its ice cream activities, both in modernizing its production and distribution facilities and in further territorial expansion.

#### PRODUCE DIVISION

Further curtailment of the activities of the Produce Division which marketed butter, eggs and poultry at wholesale, was effected during the year, a disposal of the major part of the Company's plants operating in this Division having been consummated in June. In addition to relieving the Company of the losses attendant upon the operation of these properties, the sale was negotiated at a price which promises to return to the Company substantially all of its book investments in the properties disposed of. The Produce Division which was originally acquired in 1929, had consistently failed to return to the Company a satisfactory profit, and in addition its operation had tied up substantial amounts of capital in inventories, and this capital will now be free for more profitable employment.

The Company's property at Shanghai, China, which is engaged in the procurement and processing of frozen eggs for sale largely in European countries, has not been seriously damaged during the recent hostilities, although operations have at times been interrupted. Despite the difficulties encountered, profits for 1937 were quite satisfactory. However, it is impossible to foretell to what degree the extension of the conflict into the other provinces of China, which are the principal sources of Chinese eggs, may affect these operations in 1938.

The remaining operations in this Division, though small, contributed satisfactory profits in 1937 and their outlook for the coming year seems encouraging.

#### MANUFACTURED PRODUCTS

The manufactured products group, prepares and markets cheese, evaporated milk, condensed milk, dried milk, malted milk,



caramels, casein products, mince meat, etc. This group of products experienced new peak volume of sales, although profits were lower due to reduced margins. New products have been added, and new uses found for old ones. There are, it is believed, additional opportunities for sales expansion in this group and plans have been formulated and efforts are now being directed toward a more intensified development of this Division.

Export business enjoyed new post-war peak volume and profits. However, monetary restrictions enforced in many foreign jurisdictions are hindering a more rapid development of both existing and potential markets.

#### RESEARCH

The Company maintains three laboratories devoted exclusively to research, in addition to product and quality control laboratories maintained at operating plants.

Research activities have been broadened and expenditures increased, appropriations for 1937 being larger than any previous year. Lactoflavin, the growth element in certain vitamins, and for which Borden scientists were recognized by the American Medical Association last year, has found a ready market acceptance, and new nutritional as well as pharmaceutical uses are being developed.

Additional efforts are being carried on in the casein, plastics and adhesive fields. The entire research activities of the Company are being directed toward the discovery of methods and means of lowering the cost of fluid milk distribution and the development of new products, all of which should materially enhance and diversify the earning power of the Company. The results

already secured from a more intensive research policy justify the hope that much greater benefits will accrue in the future.

#### EMPLOYEE RELATIONS

During 1937 wages paid to about 29,000 employees amounted to \$54,705,813. This compares with \$53,126,389 paid to about 29,500 employees in 1936. Included in this figure are all salaries paid to officers of the parent Company, which salaries amounted to one-seventy-second ( $1/72$ ) of a cent per quart of milk handled by all divisions of the Company in 1937.

Disposition of the produce business in June caused a reduction in the number of employees and consequent payroll, but the total wages paid to others represents a very substantial increase over the previous year.

The custom of the Company to grant vacations with pay, to most employees who have been in service for more than one year, has been continued.

The Management is ever mindful of its obligation to the consuming public to prepare its products under the most rigid sanitary standards and in furtherance of this policy clean and comfortable working quarters are provided for employees, and the Company is constantly striving for improvement in working conditions.

Increasing attention is being given to safety and accident prevention, machinery and equipment being maintained according to the best safety standards. The Company operates over ten thousand vehicles for the prompt distribution of its products. Operators of these vehicles have cooperated in avoidance of preventable accidents on streets and highways. Recognition has been given to many Borden men by public au-



thorities as a reward for their contribution to safe driving.

Group life insurance is available to all employees and it is carried by most of them, with the Company bearing a share of the cost and assuming all expenses incident to its administration. The total group life insurance in force at the close of the year amounted to \$35,432,715 and death benefits during 1937 amounted to \$220,750. The Company has also adopted a plan of group accident and health insurance for the benefit of its employees, under which joint contributions will be made by the Company and each insured employee. Physical examinations are given many employees and practical assistance rendered in maintaining their health.

The Company has constantly been striving to build an employee relationship based on amity and seeks to maintain the same friendly relationship with organized labor, or unions, which it enjoyed for so many years with employee associations.

#### CAPITAL STOCK

There was no change in either the authorized or outstanding shares of Capital Stock during the year, and the capital structure continues without any outstanding securities senior to the Common Stock of The Borden Company.

During the year, four quarterly dividends of forty cents each per share were paid on March 1, June 1, September 1 and December 1.

*Submitted by Order of  
the Board of Directors*

The Capital Stock outstanding December 31, 1937 was held by 46,623 stockholders, with an average holding of 94 shares, which compares with 42,480 stockholders with an average holding of 104 shares on December 31, 1936.

The Annual Meeting of stockholders will be held at 10 o'clock A.M. on April 20, 1938, at the registered office of the Company, 15 Exchange Place, Jersey City, N. J., and at that meeting this annual report for 1937 will be presented.

#### FINANCIAL STATEMENTS

There are presented on subsequent pages Financial Statements, together with the certificate of Haskins & Sells, Certified Public Accountants, setting forth the Operating Results for 1937 and the condition of the Company at the close of that year.

#### IN MEMORIAM

It is with a feeling of deep regret that we record the death of Arthur W. Milburn, our former President, on October 11, 1937. In his passing The Borden Company lost the services of a rare leader, one who served in the employ of the Company since February 15, 1894 and as chief executive officer since October 17, 1917.

---

On behalf of the Board of Directors, I wish to express and record sincere appreciation for the faithful efforts, loyalty and efficiency of the employees of our organization.

THEODORE G. MONTAGUE,  
*President*

*The Borden*  
and all Subsidiaries  
CONSOLIDATED BALANCE SHEET,

A S S E T S		
	December 31,	
CURRENT ASSETS:	1937	1936
Cash . . . . .	\$ 15,545,029.25	\$ 17,586,009.61
Marketable Securities . . . . .	5,776,198.14	5,926,916.18
1937 at market value (cost \$5,886,952.41, less reserve \$110,754.27) ; 1936 at cost (market value \$6,308,765.95)		
Receivables . . . . .	14,054,957.68	12,953,994.59
(Including salary advances to employees - 1937, \$78,327.19; 1936, \$52,873.25) less Reserve for Doubtful Accounts— 1937, \$1,837,919.38; 1936, \$1,849,484.77		
Inventories—At the Lower of Cost or Market:		
Finished Goods    Materials & Supplies		
1937—\$ 9,699,410.92    \$ 7,967,944.43 . . . . .	17,667,355.35	
1936— 13,005,470.54    6,957,997.37 . . . . .		19,963,467.91
Total Current Assets . . . . .	\$ 53,043,540.42	\$ 56,430,388.29
MISCELLANEOUS ASSETS, less Reserves . . . . .	\$ 2,669,385.50	\$ 1,474,038.59
(Including Mortgages, Other Receivables, etc.)		
PROPERTY, PLANT AND EQUIPMENT . . . . .	\$103,336,941.54	\$103,006,631.67
(Principally at cost, but in part at lower valuations established by the Company)		
Less Reserves for Depreciation . . . . .	37,268,580.09	37,629,006.25
(Based on above property valuations)		
Net Property, Plant and Equipment . . . . .	\$ 66,068,361.45	\$ 65,377,625.42
PREPAID ITEMS, ETC. . . . .	\$ 653,535.47	\$ 612,043.17
TRADE-MARKS, PATENTS AND GOOD-WILL . . . . .	\$ 1.00	\$ 1.00
TOTAL . . . . .	\$122,434,823.84	\$123,894,096.47

NOTATION: The above balance sheet does not contain any salvage values which may be ultimately realized from properties, now owned and not essential to operations, which have heretofore been written off.



*Company*  
ry Companies

DECEMBER 31, 1937 AND 1936

LIABILITIES

	December 31,	
	1937	1936
<b>CURRENT LIABILITIES:</b>		
Accounts Payable . . . . .	\$ 9,807,599.33	\$ 9,550,809.65
Accrued Accounts:		
Taxes (Including Income Taxes—Estimated) . . . . .	2,257,459.35	2,625,914.16
Other Items . . . . .	1,948,739.57	2,070,430.49
Total Current Liabilities . . . . .	<u>\$ 14,013,798.25</u>	<u>\$ 14,247,154.30</u>
<b>DEFERRED INCOME AND NON-CURRENT LIABILITIES</b>	<u>\$ 254,738.21</u>	<u>\$ 500,528.59</u>
<b>RESERVES:</b>		
Contingency Reserve . . . . .	\$ 2,664,009.48	\$ 2,664,009.48
Insurance and Other Operating Reserves . . . . .	5,625,574.15	5,607,317.36
Total Reserves . . . . .	<u>\$ 8,289,583.63</u>	<u>\$ 8,271,326.84</u>
<b>CAPITAL STOCK—THE BORDEN COMPANY:</b>		
Common \$15.00 par (Authorized 8,000,000 shares)		
Issued . . . . . 4,417,958 shares		
Less Treasury Stock . . . . . 21,254 "		
Outstanding . . . . . 4,396,704 " . . . . .	<u>\$ 65,950,560.00</u>	<u>\$ 65,950,560.00</u>
<b>SURPLUS:</b>		
Capital Surplus . . . . .	\$ 14,204,140.55	\$ 13,756,076.72
Earned Surplus . . . . .	19,722,003.20	21,168,450.02
Total Surplus . . . . .	<u>\$ 33,926,143.75</u>	<u>\$ 34,924,526.74</u>
<b>TOTAL . . . . .</b>	<u><u>\$122,434,823.84</u></u>	<u><u>\$123,894,096.47</u></u>

*The Borden*  
and all Subsidiaries

**STATEMENT OF CONSOLIDATED NET INCOME**  
**For the Years Ended December 31, 1937 and 1936**

	Year Ended December 31, 1937	1936
NET SALES . . . . .	\$237,561,671.94	\$238,844,537.57
COST OF SALES AND EXPENSES:		
(Including provision for depreciation of \$6,256,676.18 in 1937 and \$6,344,633.12 in 1936, insurance, taxes, and all manufacturing, sell- ing, delivery, administrative and general expenses, after deducting miscellaneous operating income) . . . . .	230,518,508.18	229,578,496.02
NET OPERATING PROFIT . . . . .	\$ 7,043,163.76	\$ 9,266,041.55
OTHER INCOME (Less Charges for Interest) . . . . .	446,136.31	453,967.07
TOTAL . . . . .	<u>\$ 7,489,300.07</u>	<u>\$ 9,720,008.62</u>
DEDUCT:		
Federal and Other Income Taxes (Estimated) . . . . .	\$ 1,168,661.02	\$ 1,702,483.40
Maintenance expenditures on prop- erties not essential to operations and heretofore written off (Less rental income of \$191,817.52 in 1937 and \$197,211.62 in 1936) . . . . .	29,987.32	96,035.42
TOTAL . . . . .	<u>\$ 1,198,648.34</u>	<u>\$ 1,798,518.82</u>
NET INCOME FOR THE YEAR . . . . .	<u>\$ 6,290,651.73</u>	<u>\$ 7,921,489.80</u>



**STATEMENT OF CONSOLIDATED EARNED SURPLUS**  
**For the Years Ended December 31, 1937 and 1936**

	Year Ended December 31,	
	1937	1936
BALANCE AT BEGINNING OF YEAR . . . . .	\$ 21,168,450.02	\$ 20,281,686.62
NET INCOME FOR THE YEAR . . . . .	6,290,651.73	7,921,489.80
TOTAL . . . . .	<u>\$ 27,459,101.75</u>	<u>\$ 28,203,176.42</u>
DEDUCT:		
Dividends Paid during the Year . . . . .	\$ 7,034,726.40	\$ 7,034,726.40
Write-off of Unessential Properties after application of reserves, less proceeds of \$748,964.70 from disposals during the year . . . . .	702,372.15	
TOTAL . . . . .	<u>\$ 7,737,098.55</u>	<u>\$ 7,034,726.40</u>
BALANCE AT END OF YEAR . . . . .	<u>\$ 19,722,003.20</u>	<u>\$ 21,168,450.02</u>

**STATEMENT OF CONSOLIDATED CAPITAL SURPLUS**  
**For the Years Ended December 31, 1937 and 1936**

	Year Ended December 31,	
	1937	1936
BALANCE AT BEGINNING OF YEAR . . . . .	\$ 13,756,076.72	\$ 13,581,199.40
Proceeds from disposals of Unessential Properties previously written off against Capital Surplus, and fair operating values ascribed to other such prop- erties adapted to some operating use . . . . .	\$ 448,063.83	\$ 991,091.54
Less write-off of Unessential Properties and Excess Values by which Operating Properties have been adjusted, after application of reserves . . . . .		816,214.22
NET CREDIT . . . . .	<u>\$ 448,063.83</u>	<u>\$ 174,877.32</u>
BALANCE AT END OF YEAR . . . . .	<u>\$ 14,204,140.55</u>	<u>\$ 13,756,076.72</u>

ACCOUNTANTS' CERTIFICATE

THE BORDEN COMPANY:

We have made an examination of the consolidated balance sheet of THE BORDEN COMPANY and its subsidiary companies as of December 31, 1937 and 1936, and of the related statements of consolidated net income, earned surplus, and capital surplus for the years ended those dates. In connection therewith, we made a review of the accounting methods, examined or tested accounting records of the companies and other supporting evidence in a manner and to the extent which we considered appropriate in view of the system of internal accounting control, and made a general review of the operating and income accounts for the years stated. The inventory records were reviewed by us and appear to be correct; the physical quantities and condition of the inventories were certified to us by officials of the companies.

Legal actions in which Mills Novelty Co., the plaintiff, seeks judgments for material amounts from the Company and certain of its subsidiaries, and a large number of other defendants, are pending in the Federal Courts of California and New York, a similar suit in the Federal Court of Illinois having been withdrawn by, and court costs therein assessed against, the plaintiff. The Company's counsel believe the suits to be without merit as against the Company and its subsidiaries.

In our opinion, subject to the foregoing, the accompanying consolidated balance sheet, with notation thereon, and related statements of consolidated net income, earned surplus, and capital surplus of THE BORDEN COMPANY and its subsidiary companies, fairly present, in accordance with accepted principles of accounting, their financial condition at December 31, 1937 and 1936, and the results of their operations for the years ended those dates. The statements have been prepared on a consistent basis except that in 1937 write-offs of properties, less proceeds from disposals, were charged against earned surplus and in 1936 similar write-offs were charged against capital surplus.

HASKINS & SELLS.

*New York, February 23, 1938*



## CORPORATE ORGANIZATION AND BUSINESS

**T**HE BORDEN COMPANY, through product and territorial divisions thereof, conducts substantially all of the following described business in the United States and in Export Markets, while a comparatively few subsidiaries conduct the remaining business. The Canadian subsidiaries, as heretofore, operate the business in the Dominion.

The Borden Company (a New Jersey Corporation) owns 100% of the stock of all its subsidiaries, one of which is The Borden Company, Limited. The latter, in turn, owns 100% of the stock of its Canadian subsidiaries.

The produce business having been reduced to small proportions and cheese production and distribution having been co-ordinated with other products marketed chiefly through the grocery trade, the Cheese and Produce Division has been merged with the Manufactured Products group. The business of the Company, therefore, falls into three general groups as follows:—

**MANUFACTURED PRODUCTS:** Manufacture and sale of Eagle Brand Condensed Milk since 1857; also other brands of condensed milk, evaporated, malted and dry milk; caramels, mince meat, dried fruit juices, etc.; and package, loaf, bulk and fancy cheeses, as well as the remaining produce activities.

This group of products also includes casein, milk sugar, adhesives, prescription products such as Dryco, package Klim and Biolac; also flavors and flavoring extracts. Lactoflavin and vitamin products for pharmaceutical uses are manufactured and distributed. Vitamin products for use in animal and poultry foods are also included in this group. Business of the above nature is conducted throughout the United States, Canada and Export Markets.

**FLUID MILK:** Purchase and distribution by a system of route deliveries of milk, cream, butter, eggs, etc. in the following States and Canadian Provinces:

Arizona	Indiana	Missouri	Oklahoma	Ontario
California	Kansas	New Jersey	Texas	Quebec
Connecticut	Massachusetts	New York	Wisconsin	
Illinois	Michigan	Ohio		

**ICE CREAM:** Manufacture and sale of ice cream and allied products in the following States and Canadian Provinces:

California	Iowa	Missouri	Pennsylvania	Ontario
Connecticut	Kentucky	New Jersey	Texas	Quebec
Delaware	Maryland	New York	West Virginia	
Illinois	Massachusetts	Ohio	Wisconsin	
Indiana	Michigan	Oklahoma		

# BORDEN PROD





# PRODUCT SOURCES







# What is Borden

WHEREVER the name of Borden is known—and this means almost everywhere in the civilized world—it is recognized as a synonym for milk.

This recognition is general among consumers. Among groups more closely identified with the industry it is, of course, more specific.

Most of the 55,000 selected dairy farmers who supply the superior grade of milk that Borden requires, think of the Company in terms of its Fluid or Bottled Milk Division because for the most part they look to this Division for the marketing of their product.

Of the 29,000 employees in the Borden family, 7,000 are route salesmen. In 900 communities each year they leave some five hundred million bottles of milk on about a million and a quarter doorsteps, and nearly three hundred million more quarts are delivered at stores and other outlets. To the population of these communities, the Borden man is "the milkman," because Borden is regarded as primarily a distributor of Bottled Milk.

Certainly—the fluid milk division of your Company is an important one. About 100 of the communities it serves have populations of 25,000 or more. Many of them are metropolitan centers, such as New York, Chicago, Detroit and San Francisco. In the New York area alone Borden men serve more than half a million families at their homes—and this does not include vast numbers of stores, restaurants and hotels,

*Glass-lined "vacuum bottle" trucks, holding twelve thousand quarts, speed Borden's milk from the heart of dairying countryside to city bottling plants, to condenseries and other manufacturing units with little change of temperature even in hottest weather. The milk is never exposed, filling and unloading being entirely by air pressure through sterilized, stainless steel pipes.*

whose patrons are provided with Borden fluid milk products.

It is natural, therefore, that people generally—including many stockholders—think of Borden primarily in terms of Bottled Milk, not at all realizing that here is just a part of the Borden business. The fact is that only a modest portion of your Company's profit ordinarily comes from milk sold as fluid, and at times—as in 1937—there is no profit at all from that product.

Though most of them originate at the dairy farm, Borden products are so numerous, and so different one from another, that few companies have created more markets for more by-products and extra products than has Borden. Your Company manufactures, produces or distributes fifteen well defined classifications of products, all different, but all relating to a common factor of economical production or distribution.

## *A Billion Loaves of Bread*

Few customers or stockholders think of Borden in terms of bread—yet bread is a product in which your Company has great commercial interest. To be sure, except in the experimental bakeries of our own research laboratories where day after day bread is made and studied, there isn't such a thing as a loaf of *Borden's* bread. Nevertheless, though they do not bear Borden's name, the bread in which your Company has profitable identity may be estimated at well over a billion loaves a year.

The product involved here is Dry Milk, of which Borden sells annually a huge volume. So important has Borden Powdered Milk become in the baking of better bread, that neither barrels nor tons can serve as a measure of our sales. Thousands of bakers, it is true, buy it in barrels. But a great many of them buy carloads of our powdered milk.

Besides the Dry Milks prepared especially for bread-making, your Company produces and sells great quantities of powdered milk to makers of other foods requiring the use of milk in conveni-



ent form, and of uniform high standards of quality.

### *The Borden Cheeses*

A dozen years ago Borden was unknown as a factor in the cheese business, except in connection with cottage cheese sold to homes from milk wagons. Today a complete line of Cheeses, plain and fancy, packaged and bulk, domestic and imported, finds ready acceptance and increasing sales under the Borden brand. All of these are excellent—some may be called great, as wines are termed great. Liederkrantz, for example, often erroneously considered an imported *type*, is in reality an exclusive Borden brand, made in Van Wert, Ohio. Chateau is another distinctive and exclusive Borden Product, originally imported from Canada, and now made both in the States and the Dominion. Borden's Camembert and Brie have climbed to complete supremacy among dessert Cheeses, because they are unsurpassed in quality.

A recent accomplishment of Borden cheese makers is a cheese flavoring which, sprayed on hot popcorn, has given that old favorite a new appeal. Under the name Gobbles, it is steadily achieving national distribution and popularity.

Another cheese development of great promise is Borden's Country Made Natural Loaf. Previously, natural cured cheeses were produced only in bulk sizes and shapes. This meant waste in the rind and variation in flavor depending on when the cut cheese was sold at retail.

The new Natural Loaf is oblong in shape, and has no rind, because it is wrapped in a special paper which allows the cheese to breathe and cure, but keeps the air out. Having no waste or disposition to dry out and being of uniform flavor, it is ideal for both dealer and consumer.

### *Malted Milk Leadership*

Malted Milks have long been Borden standbys, maintaining their original quality and reputation. Seventy-five percent of the soda fountains of the country use one of the Borden brands.

Thompson's Chocolate Malted Milk—also a Borden product—is unexcelled. Its sales, principally through food stores, are far greater in volume than any other chocolate malted milk.

Borden's position in the Malted Milk field has recently been further strengthened by improvements in manufacturing processes making for

quicker solubility and better flavor; and latterly new markets have been uncovered for a Borden product known as Malted Milk Nuggets, which manufacturing confectioners use as candy centers.

### *The Borden Caramels*

Candy, by the way, in the form of Caramels, is also a factor in the affairs of your Company. It is not widely known that Borden is one of the leading manufacturers in this field, selling Tip Top, Cream and Butterscotch Caramels in a total volume of many millions of pounds. Borden is one of the largest producers of caramels in the United States and Canada.

### *Prescription Food Products*

In Borden Prescription Products an entirely different type of sales operation is found. Prescription Products are so termed because they are promoted only through doctors—and are purchased largely on prescription. Almost every physician has prescribed Dryco, one of the most widely known infant foods of all time. Dryco was the first milk product to carry the now invaluable Vitamin D, incorporated in the milk by a process developed largely in Borden laboratories.

More recently Beta Lactose, a superior form of milk sugar, and Biolac, a special infant food of the evaporated type, have earned the enthusiastic support of physicians.

These products, which have helped restore health and even saved lives, are important foods for infants, young children, adult invalids and convalescents.

Klim (milk spelled backward) is another member of this group. It is the original vacuum

*One of these slices of bread was made with Borden's famed milk powder—Breadlac. The other—at left—was not. The same amount of dough was used in each loaf, yet the Borden-improved bread not only made a bigger loaf, but slices showed finer texture, fewer air holes. And such bread is far better tasting, too.*





# MILK



SOIL

FEED



CERTIFIED  
MILK



ACIDOPHILUS  
MILK



FLUID  
MILK



IRRADIATED  
(Vitamin D) MILK

## GENERAL CLASSIFICATIONS

### DRY WHOLE MILK PRODUCTS



POWDERED  
WHOLE MILK

POWDERED  
CREAM

DRY  
ICE CREAM  
MIX

### PRESCRIPTION PRODUCTS



POWDERED  
WHOLE MILK

MODIFIED  
EVAPORATED  
MILK

MODIFIED  
DRY MILK

POWDERED  
PROTEIN MILK

POWDERED  
LACTIC ACID  
MILK

PHARMACEUTICAL  
PRODUCTS

### MALTED MILKS

HOME  
USE



NATURAL



CHOCOLATE  
FLAVORED

SODA  
FOUNTAIN



### CONDENSED & EVAPORATED



SWEETENED  
CONDENSED



STERILIZED  
UNSWEETENED  
EVAPORATED



BULK  
SWEETENED  
CONDENSED

### CONFECTION SPECIALTIES



CARAMELS



MALTED MILK  
CANDY CENTERS



# and its Derivatives



SWEET CREAM



CHOCOLATE DRINK

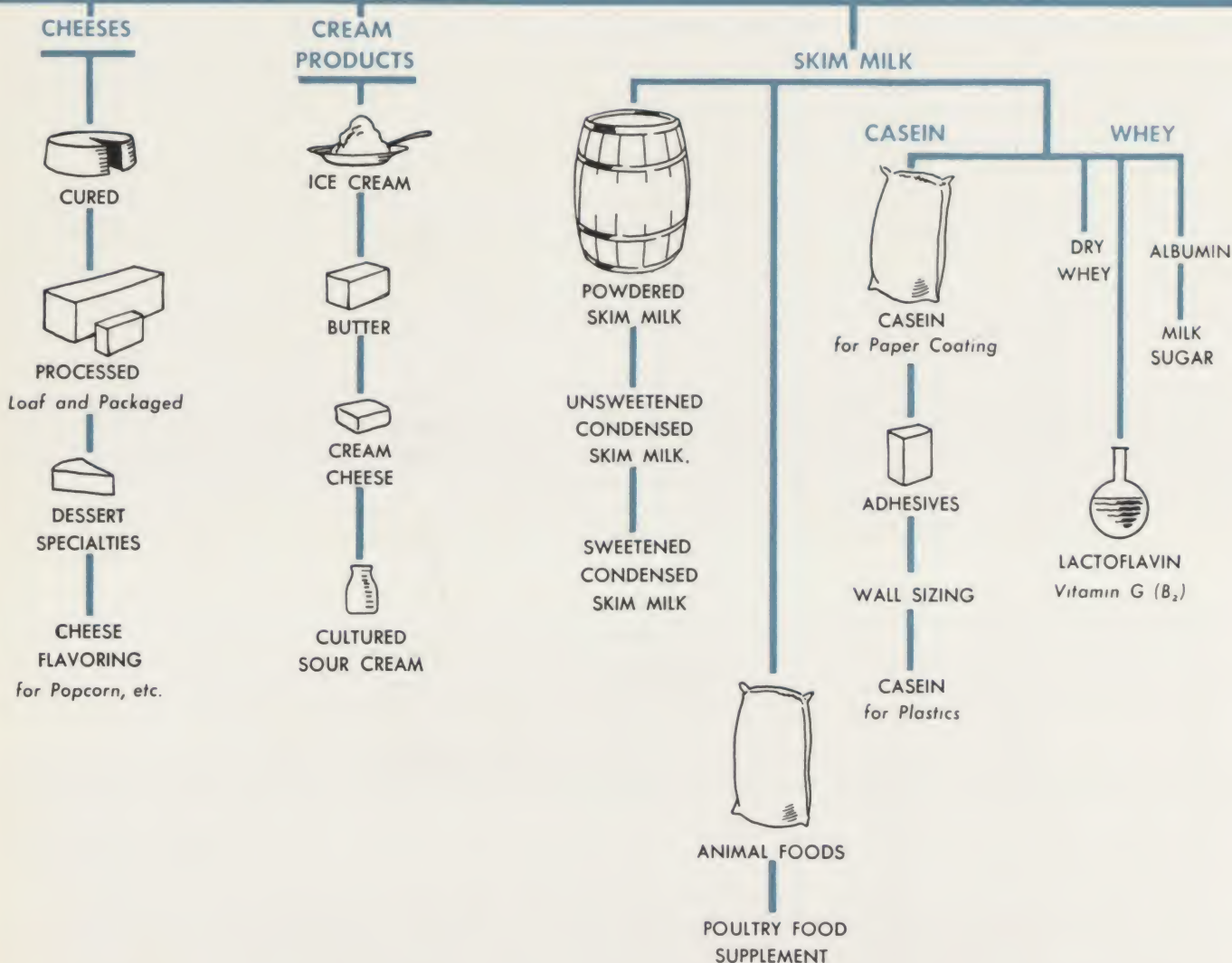


BUTTERMILK



COTTAGE CHEESE

## OF BORDEN MILK PRODUCTS





packed Dry Whole Milk—essential not only as a food for infants and children, but also for adults wherever dependable fluid milk is not available. Klim has long been sold all over the world.

### *The Versatility of Casein*

Each of the products previously referred to is an edible. In the Casein group are found products valuable both to Borden and the public, products which are not edible at all. From the casein of milk, Casco Glue is made—an adhesive so permanent that once two sections of wood are joined by it, the wood will split if torn apart—but the joint will not break. Casco Glue is used universally in adhesive operations of all kinds, and particularly in fine veneer work.

From Borden Casein are also made a perfected wall-size which has many advantages over similar products—and Casco Liquid Cement, a unique combination of casein and liquid rubber which is unexcelled for sticking together dissimilar materials, such as wood, paper, cloth, metal, cork and glass.

Casein is used in the making of fine coated papers, such as the paper in this book, and in numerous industrial operations where problems of adhesion are important. It is also employed in the production of beautiful plastics from which buttons and other articles are fabricated.

### *The Borden Mince Meats*

There are in the Borden Family many interesting and profitable specialties. One, which bears no relationship whatever to fluid milk, is Mince Meat. Few people outside the Company know that Borden is one of the largest producers of Mince Meat in the world. Borden's None Such Brand, sold over the counters of the great majority of food stores, continues, after fifty-two years, supreme in its field. There are also bulk mince meats, which enjoy the same preference among commercial pie and cake bakers as None Such does among the numerically important bakers who preside over the kitchens in private homes.

### *Fruit Powders and Concentrates*

The predecessors of Borden Research Men in the Merrell-Soule Laboratories at Syracuse first developed a method of preserving milk by injecting it in a fine spray into a chamber of hot air,



*This is Borden's new Riverside Plant in New York—one of the largest in the world. It contains every modern improvement and safeguard, housing its own ice making machinery, air conditioning, lockers and showers for the men, and garage facilities for all vehicles.*

so that the milk solids precipitated in the form of powder. The application of this same process to oranges and lemons resulted in the exclusive Borden Powdered Fruit Juices, widely used by quality bakers. This profitable market is capable of considerable further expansion, and is being vigorously cultivated.

Still another recent and promising group embraces flavor extracts, syrups and fruit concentrates used by the ice cream, soda fountain and baking trades.

### *A Life Saving Achievement*

In somewhat startling contrast, there is one product of vital public importance in which there is not, and cannot be any profit whatever. A Borden scientist, while engaged in closely related commercial projects, invented a method of preserving human breast milk by quick-freezing it into tablets, its full nutritive qualities unimpaired. In the feeding of premature and other weak and sickly babies whose mothers cannot feed them, breast milk is essential to life itself. No patent of such vital consequence should be commercialized, so your Company licenses its use, without fee, to hospitals who present suitable credentials.

### *A New Food Supplement*

In the very near future the public will hear much of Lactoflavin. The story of its development furnishes an excellent example of salvaging an important nutritional element. Since the first shepherd discovered cheese by accident, there has been a by-product which was regarded as useless—whey water. In point of fact, until recently,



no one since Miss Muffer's time had made full use of the potentialities of whey. And even after it began to be utilized, commercial cheese makers almost invariably let the whey water go down the drain.

A few years ago at Borden's Laboratories in Bainbridge, N. Y., a method was discovered of extracting from this whey water the important vitamin known variously as B<sub>2</sub> or G. This factor—Lactoflavin—which even whole milk contains in only modest quantities, was recognized by nutritional experts as vital to the development of the healthy human body. But how to make it useful through practical concentrations, no one knew.

Borden research workers found out. Today Lactoflavin is commercially established. It isn't the sort of product that one can purchase at the nearest retail store. But it will have a vital identity from now on with a wide variety of foods and pharmaceuticals to which it will be a most important supplement.

### *Butter and Eggs*

Two other kinds of Borden products may be touched on briefly. Butter is one, and with the recent elimination of the Produce Division, Borden's interest in butter is confined almost entirely to its sale from fluid milk routes. The other is Eggs—and the chief point of interest here is a topical one—the location of a Borden plant for the processing of eggs in the heart of the war

*Dessert cheeses, delicate in flavor, require exquisite care while maturing. Here is Borden's Military Brand Brie. The curd is drained within metal hoops for twenty-four hours. Hoops are then removed, surfaces salted, cheeses placed in curing rooms for eight days. Then they go to the curing caves for four more weeks. The cheese is constantly being turned over—a newly washed and sterilized draining mat placed beneath it with each such turning.*



zone on Whangpoo River, Shanghai, for European markets as referred to in the President's report. Needless to say, the eggs carried on Borden route wagons are *not* from Shanghai, but from the best henneries of the United States and Canada.

### *Condensed and Evaporated Milks*

Most closely allied to the basic product—fluid milk—are Condensed Milk—which Gail Borden invented and first marketed under the Eagle Brand label—and Evaporated Milk. In the former, Borden is by far the largest factor; in the latter, a huge and growing market of nearly fifty million cases yearly, Borden brands play a prominent part.

By all odds the largest portion of this volume is through grocery and food stores from which housewives buy these products for a wide variety of purposes—for infant feeding—for special diets of adults as well as children—and in the preparation of all manner of cooked and baked dishes including creamed soups, cakes, sauces for vegetables, icings, confections and so on.

Borden's Condensed Milks and Borden's Evaporated Milks have steadily continuing sale and are of essential importance to the American pantry shelf.

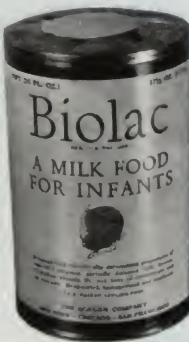
### *Borden's Place in Ice Cream*

A consistent and substantial contributor of volume and profit is the Ice Cream group. The original list of about one hundred brands has been consolidated to about forty. Many purchased brands have been brought under the Borden banner to great advantage—and brands other than Borden retained only where they have maintained profitable local popularity.

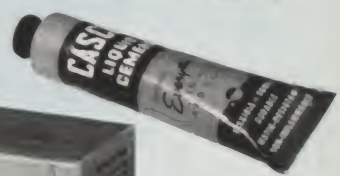
The forms, shapes, flavors and combinations in which Borden Ice Creams are made are extensive. Whereas ice cream in the past was merely a frozen delectable in one standard bulk form—today Borden varieties are almost innumerable.

There are, besides popular vanilla, scores of other flavors in varying demand, depending on locality. There are, for a few instances, banana, black walnut, maple, pistachio, almond toffee, burnt almond and butterscotch in addition to standard flavors such as chocolate and strawberry.











There are ice cream cakes which sometimes actually have cake as part of their make-up. There are Yule Logs whose outer flavor of chocolate is pecan studded. There are individual forms for parties—birds and fruits and flowers. There is Melorol, the cylindrically shaped and ingeniously produced ice cream. There is the Tray Pack, which, put into a mechanical refrigerator, can be bought considerably in advance of dinner or supper and kept perfectly until serving time. And there are Frosticks and individual paper cup products in very large use by our very youngest citizens.

Borden sells ice cream in more than 1100 communities throughout Canada and the United States. About 145 of these are cities of 25,000 or more. More than 35,000 retailers serving millions of families, handle Borden brands of ice cream.

Most of the many ships sailing from New York and San Francisco Harbors carry a Borden brand of ice cream, and vast additional Borden gallonage goes to hotels, restaurants, caterers, railroads—colleges, hospitals and institutions.



*Eyes feel like icicles—skin becomes arctic marble—marrow seems to freeze up solid to a visitor in a Quick-Freeze room of a Borden ice cream plant. Immediately after it is made, Borden ice cream, entering this room, is plunged to thirty degrees below zero. This gives it finer texture, richer flavor. The man in the picture needs extra heavy underwear and overwear to protect him from the cold.*

*Smoked glasses are vital essentials in the irradiation room, where, as it flows down these pipes, Borden's milk receives the vital Vitamin D factor from ultraviolet rays. The instrument in the man's hand is a recording meter through which we have automatic assurances of the intensity of irradiation and uniformity of the Vitamin D element.*



### *Animal and Poultry Foods*

During the past few years Borden has developed a significant business with packers of poultry foods and pet foods. Milk products of several kinds have become in greater measure indispensable ingredients in the diets of dogs, cats and other domestic pets. The properly balanced, prepared food is rapidly taking the place of the former casual feeding these animals received.

Similarly, poultry farmers are more mindful of the value of special foods for their effect on chickens and eggs because of Flaydry—an exclusive Borden product.

Thus, two entirely new outlets for Borden Products have been developed, and provide additional profit potentialities for your Company.

### *The Many Bottled Milks*

Finally, there is the Fluid Milk group. It includes virtually every bottled milk product sold on the continent: Certified Milks, Pasteurized Milks, Vitamin D Milks, Chocolate Milks, Acidophilus, Buttermilk, Sweet Cream and Sour Cream, Soft Curd Milk and Modified Milks of many kinds.

To this group most of the others are related in varying degrees—from close to distant—product as well as profitwise.



### *The Unending Research*

This in brief is the story of Borden diversification, and Borden Product Progress. Back of it is another story of mechanical and technological improvements, through which product development is made possible. Packages and containers are under constant scrutiny. Can the weight be reduced and freight costs lowered? Can packages be designed with more attractiveness and new convenience for the consumer? Would a product be better in other than its present form?

Equipment and methods in all Divisions are forever being studied, redesigned, rearranged or rebuilt so that efficiency may be increased, product improved, costs lowered.

Research is endless. Within the past decade Borden Research Laboratories have been directly responsible for hundreds of developments of importance to stockholders and customer interests. Through them, other interests have also been served. The market for farmers' milk has been increased and pushed constantly to new frontiers, world-wide in extent. Uses have been found—as in the typical case of Dry Skim Milk—for

milk which was formerly thrown away or fed to live-stock. New products—cheeses, drinks, specialties—have been created to increase consumption of dairy products, and thus improve the dairy farmers' income.

Research also has been responsible for the Borden development of Irradiation to produce Vitamin D Milk without putting *into* the milk any foreign element. Consumer needs and preferences have been and are constantly studied through field surveys which tell with accuracy what the customer likes and why.

This, in sum, is Borden—a compact assembly of closely co-ordinated groups, most of them related to Fluid Milk, but only a few of them dependent on the Bottled Milk Division as an outlet. Each of the various products has its individual and separate place in modern commerce. Each is a member of a famous food family, contributing to and benefiting from its relationship to Borden—*Since 1857 the Greatest Name in Dairy Products.*

*Three times a day each of the fifteen hundred cows at famous Walker-Gordon Farm, Plainsboro, N. J., enters the speckless milkbouse and steps on the automatically turned Rotolactor. As it turns, men at various points thoroughly bathe her udder and she is hand-dried with an individual sterilized towel. But the milking is by automatic tubes, gentler than the most expert human hands. Fed special crops, watched constantly by veterinarians, Walker-Gordon cows produce what is universally regarded as the world's finest milk.*

*Common to every plant where Borden handles milk—evaporated, condensed, bottled or powdered—is this daily activity. Miles of stainless steel piping each day must be taken apart, washed, scrubbed and steam sterilized germproof. This strict sanitary precaution takes more time in such Borden plants than any other phase of operations.*

